

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	Casa Loma College (CLC or College)	Amount Requested:	Not to exceed \$5,760,000
Applicant Description:	A California non-profit corporation operating a vocational school providing training in health care.	Date of Board Meeting:	April 1, 2009
		Type of Issue:	New Issue
		Resolution Number:	09-12
Project Site:	6725 Kester Avenue, Van Nuys, CA 91405	Prepared by: Andrea Kennedy	
Project Description:	The project (Project) involves the financing or refinancing of the acquisition, remodeling, and development of property located at 6725 Kester Avenue, Nan Nuys, CA to include: (1) acquisition of 2.58 acres with a 26,772 square foot building, and (2) remodeling, renovation, and possibly equipping, the building for classrooms, an electronic library and staff offices.		
Uses of Bond Proceeds:	Bond proceeds will be used to pay the costs of the Project and issuance costs.		
Public Benefits:	Casa Loma College actively participates in workforce training programs and provides alternative education options in a variety of healthcare fields. The Project will enable the College to: <ul style="list-style-type: none">● Expand its facilities to train students to meet a documented demand for employees to fill healthcare related positions.● Reuse a vacant building, located 0.6 miles from the College's current location in order to more than double the size of the College's current training facility.● The new location will also better parking for students, though it is located near public transit.● Create 11-15 new teaching, tutoring and administrative jobs over the next 2 years.		
Financing Structure:			
Type of Issue:		Publicly-offered variable-rate demand bonds in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.	
Tax Status:		Tax-exempt 501(c)(3) bonds.	
Term:		Not to exceed 40 years. The borrower does not expect the term to exceed 30 years, but has asked for 40 years to retain pricing flexibility.	
Credit Enhancement:		Direct-pay letter of credit from Comerica Bank.	
Credit Rating:		Expected "A+/F1" by Fitch Ratings based upon Comerica Bank's credit rating.	
Est. Sources of Funds:		Est. Uses of Funds:	
Par amount of the bonds	\$5,760,000	Payment of Interim Financing Used to Acquire the Project Site and Building	\$5,301,300
Equity contribution	1,106,000	Building Renovation and Possible Equipment Purchases	2,025,000
Valley Economic Development Center	700,000	Costs of Issuance	239,700
TOTAL SOURCES	\$7,566,000	TOTAL USES	\$7,566,000
Financing Team:			
Bond and Disclosure Counsel:		Kutak Rock LLP	
Underwriter:		Gates Capital Corporation	
Trustee:		Wells Fargo Bank, NA	
Staff Recommendation:			
Staff recommends approval of Resolution 09-12 for an amount not to exceed \$5,760,000 for Casa Loma College.			

BACKGROUND AND HISTORY

Casa Loma College (CLC or College) is a non-profit organization established in 1966 in San Fernando Valley to provide healthcare education and training. The College currently operates three locations in Van Nuys, Hawthorne and Anaheim.

The College's first program, Vocational Nursing, began with less than 20 students and since then, CLC has expanded its programs to include:

- Medical Assisting
- Diagnostic Medical Sonography (DMS)
- Medical Insurance Billing & Coding
- Magnetic Resonance Imaging (MRI)

Consistent with its five-year strategy, CLC initiated plans earlier this year to expand course offerings to include a Registered Nursing Program. Full Accreditation is a three to five year process.

New classes begin approximately every month and the average monthly enrollment is over 400 students. CLC has had over 5,000 graduates. While the placement rates vary by program the overall annual average is around 85%.

The current Van Nuys campus is located in a 11,392 square foot building leased by CLC, located in the central San Fernando Valley. The space consists of six classrooms, two Clinical Skills Labs, a student lounge, a Student Resource Center and administrative offices. The Van Nuys campus has an enrollment of 222 students. For a description of the proposed facility see Project Description below.

The Hawthorne campus is located in a 30,000 square foot building leased by CLC, and consists of eight classrooms (two double as Clinical Skills Labs), a large media room, a Student Resource Center, and administrative and executive offices. The Hawthorne campus has an enrollment of 195 students.

The Anaheim Campus is located in a 12,000 square foot two-story building leased by CLC, and consists of three classrooms, and faculty, administrative and executive offices. Training classes accommodate 25 to 35 students at a time. The Anaheim campus, added in 1988 primarily as a Welfare-to-Work training facility, has recently received accreditation to offer additional curricula.

The Student Resource Centers at the Van Nuys and the Hawthorne campuses maintain current reference materials available for checkout by students. Equipped with IBM compatible computers, the centers contain a variety of programs and tutorials to assist students in their training. Students are able to access the Internet for library resources, Employment Development Department services, and graduate practice exams.

Casa Loma College is accredited by:

- The Accrediting Bureau of Health Education Schools
- The Immigration and Naturalization Services to provide M-1 VISAs to enroll non-immigrant alien students
- The California Board of Vocational Nursing and Psychiatric Technicians
- The California Board of Registered Nursing

The approximate cost of tuition for the programs offered at the current Van Nuys campus are:

- Vocational Nursing \$27,870
- Medical Assistant \$11,870
- DMS Program - Sonograph \$30,700
- Medical Insurance Billing/Coding \$ 9,280
- MRI Program \$33,928

The Van Nuys campus financial aid department includes the director and two financial aid officers. Sixty-eight percent of current Van Nuys students receive financial aid in the form of grants and Federal student loans.

CLC provides full job placement services including job interview preparation and mentoring in writing a resume. Potential employers are invited to the campus during the final month of school to meet with the students and educate them about what is necessary to obtain and retain employment.

CLC participates in the Greater Avenues for Independence (GAIN), California's Welfare-to-Work program. GAIN provides educational and support services to individuals who qualify, and services may include childcare, transportation, tuition, and the cost of textbooks and supplies.

In addition, CLC partners with the South Bay Workforce Investment Board allowing students access to in-depth assessment and job preparation workshops, and the use of South Bay One-Stop Business & Career Centers to utilize computers, as well as access to the Internet, copiers, fax machine, typewriters and a variety of other resources for job search.

GOVERNANCE AND MANAGEMENT

BOARD OF REGENTS	
Rev. John G. Simmons	Chairman of the Board and President
V. Gregory Malone	Chief Executive Officer and Chief Financial Officer
Don Kelley, Esq.	Secretary
Timothy J. White, Esq.	Member
Victor Navarro	Member
Monika I. Malone	Member

PROJECT DESCRIPTION

Proceeds will be used to refinance an outstanding taxable bank term loan obtained in December 2007 to finance the purchase of a 2.58 acre property, including a 26,772 square foot building, located at 6725 Kester Avenue, Van Nuys, CA. Proceeds will also be used to remodel and develop the building to provide classrooms, an electronic library and staff offices (Project). (see Appendix A – Campus Pictures). If funds are not needed for remodeling and developing the building, they will be used to equip the classrooms, electronic liability or staff offices. The Project is expected to be completed in April 2009.

The current interim loan with Comerica is for a one-year term. The bond financing will result in permanent financing at a lower interest rate than the interim loan.

Valley Economic Development Center, a community development lender, is providing a \$700,000 subordinate loan (VEDC Loan) for building improvements, to reduce the size of the bond issue and to minimize the impact of the bond debt on CLC's working capital. The VEDC Loan is for a seven-year term at a taxable interest rate of 6%.

FINANCING STRUCTURE

Casa Loma College is requesting approval for the issuance of bonds (Bonds) in an amount not to exceed \$6,000,000. Payment of principal and interest on the Bonds will be enhanced by a letter of credit provided by Comerica Bank to be executed simultaneously with the issuance of the Bonds. It is expected that the Bonds will carry a rating of "A+/F1" from Fitch Ratings, Inc., based upon the letter of credit provider's credit rating.

In no event shall the Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Bonds except for the I-Bank. The Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting of repayments of the loan provided for in a loan agreement between the I-Bank and the College, and other funds held by the Bond Trustee.

PUBLIC BENEFITS

Casa Loma College provides affordable, short-term programs in the growing medical field for students desiring secure, relatively well-paid employment.

The Project will reuse a vacant building purchased from the Automobile Club of Southern California in December 2007 and double the size of College's Van Nuys campus enabling CLC to accommodate an increase of approximately 80 students. As the sole occupant of the building, CLC will be able to offer students night courses due to the safer environment of an enclosed campus. The College also intends to obtain full accreditation for a Registered Nursing program within three to five years after moving to the new campus.

The increased capacity of the school campus will result in 11-15 new jobs over the next two years including six to 10 instructors, two bookkeepers, one position in human resources and two additional tutors.

CLC students are often unemployed or underemployed individuals seeking retraining and/or new career opportunities. According to CLC representatives, minorities comprise over 70% of the student body.

According to the Federal Bureau of Labor Statistics Occupational Outlook Handbook, 2008-09 Edition, employment within the healthcare occupations taught at Casa Loma College, are expected to grow faster than the average for all occupations, from 2006 to 2016, as follows:

- Vocational Nurses – growth of 14%
- Medical Assistant – growth of 35%
- DMS – growth of 19%
- Medical Insurance Billing/Coding – growth of 18%
- MRI – growth of 15%
- Registered Nurses – growth of 23%

In addition, the Governor's 2007 Career Technical Summit identified Health Care as one of four of the highest demand job categories through 2014. Finally, the California Labor Market Information Division (LMID) estimates that healthcare technicians will be among the highest demand occupations statewide in the 2006-2016 period.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: Building permits are required and have been obtained for the rehabilitation of an existing facility.
TEFRA	
Date of TEFRA	March 20, 2009
Publications	<i>The Sacramento Bee</i> <i>Metropolitan News-Enterprise</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. The Project is in the State of California. 2. CLC is capable of meeting its obligations incurred under the proposed loan agreement, and, in particular as to its loan repayment obligations which secure the bonds, as a result of providing a direct-pay letter of credit from Comerica Bank, which is the basis for the anticipated rating on the bonds. 3. Payments to be made by CLC to the I-Bank under the proposed loan agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the bonds. 4. The proposed financing is appropriate for the Project. 5. The Project is consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

RECOMMENDATION

Staff recommends approval of Resolution 09-12, for an amount not to exceed \$5,760,000 for Casa Loma College.

APPENDIX A–Campus Pictures



The old Van Nuys campus - a 11,392 square foot building.



The new facility - a vacant 26,772 sq ft building, doubling the size of College's Van Nuys campus.